

12-1964

13 AUG 1986

MEMORANDUM FOR: Director of Central Intelligence

FROM: William F. Donnelly
Deputy Director for Administration

SUBJECT: The Proposed "Civil Service Simplification [CSS] Act of 1986"

1. In response to President Reagan's call for a more streamlined and efficient civil service personnel and compensation system, the Office of Personnel Management (OPM) has transmitted to the Congress the subject legislative proposal designed to simplify and improve the current government-wide personnel and pay structure.

2. The legislation would amend Title 5 to authorize establishment of the "Simplified Management System" (SMS), based on the "China Lake" pay banding model and containing four main features:

- ° Pay Banding. The 18 existing General Schedule (GS) grade levels would be consolidated into pay bands, each of which generally would encompass the pay ranges for two or more GS levels.
- ° Simplified Classification. Positions would be grouped into occupations based on the kind of work and qualifications required; similar occupations would be grouped into "career paths;" and each "career path" would be assigned a set of pay bands.
- ° Pay for Performance. Advancement within a pay band would be based on good performance rather than longevity, and poor performers would be denied pay raises.
- ° Enhanced Recruitment and Retention. When necessary to recruit or retain well-qualified personnel in hard-to-fill occupations, or for remote sites or arduous or undesirable duties, the pay rates within a pay band could be increased, and/or bonuses could be paid to such employees.

Other significant aspects of the proposal are as follows:

- ° An agency could implement the SMS for all or some of its components, locations, and/or occupations.
- ° OPM approval for implementation of the SMS in all or part of an agency would be required.

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FILE: 100-13 30-40-1

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- OPM would establish the career paths and pay bands used, the criteria for assigning positions/occupations to such paths and bands, and the qualification requirements for positions.
 - OPM could modify or terminate a noncomplying SMS.
 - The SMS would have to be budget-neutral.
 - The existing cap on General Schedule pay (i.e., not to exceed Level V of the Executive Schedule, currently \$68,700) would be retained.
 - This Agency would be exempt as a matter of law from the subject proposal, just as we are exempt from the Classification Act and General Schedule. The Agency, therefore, would not have to follow or implement the CSS Act, but might choose to establish a parallel or similar system under the Agency's Section 8 authorities.
3. OPM's proposal presents both favorable and unfavorable implications for us, given our unique authorities and situation:
- On the plus side, Administration and Congressional support on a government-wide basis for pay banding and pay for performance would reinforce the validity and merit of the steps we already have taken in those directions. Our Office of Communications and secretarial pay experiments would be seen as more in the mainstream and less as deviations from a norm. Enactment of the CSS Act thus could defuse the criticisms of the Secretarial Career System now being voiced by the HPSCI.
 - On the minus side, passage of the legislation could limit the Agency's flexibility in the pay and personnel areas, even though legally the Agency would not be bound by the legislation. Probably there would be pressure for the Agency to conform to the general system created by the CSS Act. We finally might achieve our objective of "getting off" the GS system, only to find ourselves mired in the Title 5 SMS. Our ability to implement pay and personnel features different from those in the CSS Act might, for example, be constrained politically, if not legally. We are likely to be asked to ensure that any further banding/pay-for-performance efforts we undertake be cost-neutral, unlike the Commo and secretarial initiatives.

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4. On balance, then, we should support the basic concepts embodied in the CSS Act, which are consonant with those you endorsed in your 23 July testimony before the SSCI on CIA personnel management. But we should not tie ourselves too closely to the CSS Act. Maneuver room is needed so that we can design for our employees a flexible compensation package--of which salary is only one element.

[/s/ William F. Donnelly

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